MULTIMEDIA UNIVERSITY STUDENT IDENTIFICATION NO

MULTIMEDIA UNIVERSITY

FINAL EXAMINATION

TRIMESTER 1, 2018/2019

TFA2141 – FINANCIAL ACCOUNT FOR MANAGERS

(All sections / Groups)

20 OCTOBER 2018
2.30 p.m – 4.30 p.m
(2 Hours)

INSTRUCTIONS TO STUDENTS

1. This Question paper consists of 6 pages with 4 Questions only.
2. Attempt **ALL** questions. All questions carry equal marks and the distribution of the marks for each question is given.
3. Please write all your answers in the Answer Booklet provided.

QUESTION 1

Part A

Yaya Hamburger Shop sells hamburger and chips to students in surrounded schools. The owner, Mr Yaya recorded the transactions happened in the first week of August into his notebook.

1. Received RM1,500 cash for selling 300 hamburgers.
2. Purchased 20 kg of hamburger meat from a local butcher on credit, with a total cost of RM100.
3. Paid gas expense by cash RM500.
4. Paid weekly wages to Sarah of RM450.
5. Raised a short-term loan of RM500 from the bank.
6. Mr Yaya withdrew RM250 cash for personal use.
7. Purchased a new hamburger machine cost RM1,200 with paying 10% of cash deposit, and the rest is on credit.

Required: State journal entries to record the above transactions.

(15 marks)

Part B

On 1st January 2015 Kiki Company purchased a machinery for RM500,000 and depreciated it on a straight-line basis over a 4-year period. The estimated residual value is at RM60,000

The company then purchased an equipment at a cost of RM200,000. The equipment was expected to remain in service for 20 years. Kiki Company has depreciated the equipment on a reducing balance basis at 40%.

Required:

a) Prepare a schedule showing the annual Depreciation expense, Accumulated Depreciation and Net Book Value of machinery for each of the four years (2015, 2016, 2017 and 2018).

(4 marks)

b) Prepare a schedule showing the annual Depreciation expense, Accumulated Depreciation and Net Book Value of an equipment for each of the four years (2015, 2016, 2017 and 2018).

(4 marks)

c) State journal entry to record depreciation for machinery and equipment in year 2018.

(2 marks)

Total: 25 marks

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QUESTION 2

Part A

The trial balance of *Sogo Service* at 31st August 2018 and the data for the year-end adjustments follow:

Sogo Service Trial Balance as at 31st August 2018		
Account	**Debit**	**Credit**
Cash	4,800	
Account receivable	26,600	
Prepaid insurance	1,700	
Equipment	53,500	
Accumulated depreciation-equipment		36,400
Accounts payable		13,400
Capital		19,700
Drawing	3,800	
Service revenue		20,000
Rent revenue		4,000
Wages expense	1,600	
Utilities expense	1,500	
Total	**93,500**	**93,500**

Additional data at 31st August 2018:

1. Depreciation on equipment, RM1,100.
2. Accrued wages expense, RM600.
3. Prepaid insurance expired during August, RM200.
4. 10% of total service revenue will be earned during the next accounting year.
5. RM800 of rent revenue is still outstanding.
6. Mr Robert, the owner had taken RM200 cash from the business for his own use.

Required:

a) Prepare Income Statement for the year ended 31st August 2018 (7 marks)

b) Prepare Statement of Financial Position as at 31st August 2018 (13 marks)

Continued...

Part B

Classify the following adjusting entries as involving prepaid expenses (PE), unearned revenues (UR), accrued expenses (AE), or accrued revenues (AR).

1. _____ To record revenue earned that was previous received as cash in advance.
2. _____ To record insurance premium paid in advance.
3. _____ To record wages expense incurred but not yet paid (nor recorded).
4. _____ To record revenue earned but not yet billed (nor recorded).
5. _____ To record expiration of prepaid insurance.

(5 marks)

Total: 25 marks

QUESTION 3

Part A

Origano Company has the following comparative financial information.

Data from the comparative Income Statement				
	2015	**2016**	**2017**	**2018**
Sales revenue	917,400	909,600	911,300	901,800
Cost of goods sold	321,900	316,700	317,100	304,500
Operating expenses	261,400	257,300	249,100	247,700
Interest expense	3,500	3,600	3,600	3,600
Income tax expense	89,700	87,200	87,200	84,300
Net profit	240,900	244,800	254,300	261,700

Selected data from the comparative Statement of Financial Position				
	2015	**2016**	**2017**	**2018**
Cash and Bank	552,330	599,780	588,440	560,500
Accounts receivable	4,550,000	3,800,000	2,800,000	2,550,550
Inventory	920,360	1,223,440	1,330,300	1,222,200
Total current assets	8,700,030	8,480,100	8,250,000	8,000,100
Total assets	11,100,020	10,980,000	10,800,200	10,555,200
Total current liabilities	7,200,300	7,476,000	7,600,500	7,800,200
Total liabilities	8,449,900	8,240,700	8,150,500	7,900,800

Required:

a) For each year, compute the gross profit margin and net profit margin. Then, explain the significant changes of company's profitability.

(7 marks)

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b) For each year, compute the current ratio and acid-test ratio. Then, explain the overall company's liquidity position.

(7 marks)

Part B

The Income Statements for year 2017 and 2018 for Jojo Company are presented below:

Jojo Company Income Statements for the year ended 31 December...		
	2017 RM	**2018 RM**
Sales revenue	683,700	731,559
Cost of goods sold	(329,100)	(358,719)
Gross profit	**354,600**	**372,840**
Operating and other expenses	114,400	122,960
Interest expense	8,500	6,600
Income tax expense	36,700	37,200
Net income	**195,000**	**206,080**

Required:

a) Prepare a horizontal analysis of the income statement above. (7 marks)

b) Interpret your analysis. Comment on the significant changes. (4 marks)

Total: 25 marks

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QUESTION 4

Mustang Company, a merchandiser, recently completed its calendar year 2018 operations. The company's statement of financial position and income statement are as follow.

Mustang Company
Comparative Statement of Financial Position as at 31 December...

	2018 RM	2017 RM
Assets:		
Equipment	280,600	245,600
Accumulated depreciation - Equipment	(80,600)	(97,600)
Cash	85,600	65,200
Accounts receivable, net	72,850	56,750
Inventory	157,750	144,850
Prepaid expenses	6,080	12,680
Total assets	**522,280**	**427,480**
Liabilities:		
Long-term notes payable	59,200	79,200
Accounts payable	52,850	45,450
Income taxes payable	15,240	12,240
Equity:		
Share capital	200,000	150,000
Share premium	53,000	40,000
Retained earnings	141,990	100,590
Total liabilities and equity	**522,280**	**427,480**

Mustang Company
Income Statement for the year ended 31 December 2018

Sales		488,000
Cost of goods sold		(212,540)
Gross Income		275,460
Other income:		
Gain on sale of equipment		4,700
Expenses:		
Depreciation expenses	43,000	
Interest expenses	6,400	
Other operating expenses	106,260	(155,660)
Income before taxes		124,500
Income taxes expense		(41,100)
Net income		83,400

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Additional information:

1. A RM20,000 long-term note payable is retired at its carrying amount in exchange for cash.
2. Cash dividends paid is RM42,000 and to be classified under financing activities.
3. New equipment is acquired for RM120,000 cash.
4. Received cash for the sale of equipment that had cost RM85,000 with accumulated depreciation of RM 60,000, yielding a gain of RM4,700.
5. The company issued ordinary shares for cash at RM63,000.
6. Prepaid expenses relate to Other Operating Expenses on the income statement.
7. All purchases and sales of merchandise inventory are on credit.

Required:

a) Use the above financial statements and additional information to prepare a complete statement of cash flows for the year ended 31 December 2018, using the indirect method.

(19 marks)

b) Based on the statement of cash flows prepared in part (a):

i. Among the operating, investing and financing, which section shows the largest cash inflows? (2 marks)

ii. Among the operating, investing and financing, which section shows the largest cash outflows? (2 marks)

iii. What is the largest individual item among the financing cash outflows? (2 marks)

Total: 25 marks

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